

**State of Rhode Island and Providence Plantations
Public Utilities Commission**

Minutes of Open Meeting Held August 19, 2004

Attendees: Chairman Elia Germani, Commissioner Kate Racine, Commissioner Robert Holbrook, Steve Frias, Cindy Wilson, Thomas Massaro, Alan Nault, Douglas Hartley and Luly Massaro.

Chairman Germani called the open meeting to order at 2:00 P.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

Competitive Telecommunications Service Providers:

The following companies filed an application for authority to provide telecommunications services in RI. The Division has reviewed the applications and recommends approval of:

2262(I19) - Telecom Management, Inc. d/b/a Pioneer Telephone

2262(J19) - Cognigen Networks, Inc.

2262(K19) - CODETEL International Communications, Inc.

2262(L19) - First Point Telecom LLC

Chairman Germani asked for a motion and Commissioner Racine moved to approve the applications. The motion was seconded by Commissioner Holbrook and unanimously passed. Vote 3-0.

The following companies submitted tariff revisions:

3098 - A.R.C. Networks, Inc. d/b/a InfoHighway (tariff filed 7/20/04)
2878 - Choice One Communications of RI (tariff filed 7/23/04)
3059 - Broadview Networks, Inc. (tariff filed 7/22/04)
2618 - AT&T Communications of New England, Inc. (tariffs filed 7/28 & 8/5/04)
2624 - TCG Rhode Island (tariffs filed 7/28 & 8/3/04)
2621 - MCI Telecommunications (tariff filed 7/29/04)
2472 - Sprint Communications (tariff filed 7/30/04)
2702 - Verizon Select Services, Inc. (tariff filed 7/30/04)
2535 – Cox RI Telcom LLC (tariff filed 7/27/04)
2262(A6) - Southwestern Bell Communications Services, Inc. (tariff filed 7/30/04)
2262(C8) - CTC Communications Corp. (tariff filed 7/26/04)
2262(V5) - BellSouth Long Distance, Inc. (tariff filed 7/22/04)
2262(Q7) - RRV Enterprises, Inc. d/b/a Consumer Access (tariff filed 7/30/04)
2262(P7) - MCI WorldCom Communications, Inc. (tariffs filed 7/29 & 8/3/04)
2262(F16) - Bell Atlantic Communications d/b/a Verizon Long Distance (tariffs filed 7/21 & 8/2/04)

After review, the Commission followed the Division's recommendation that the tariff filings be allowed to go into effect without suspension.

Verizon RI Telecommunications Interconnection Agreements (ICAs)

The following ICAs were submitted for approval. The Division has reviewed the ICAs and recommends approval of:

3618 - ICA between Verizon RI and Spectrotel, Inc.

3619 - ICA between Verizon RI and Lightyear Network Solutions, LLC

3620 – ICA between Comtech21, LLC

3621 - ICA between Verizon RI and ACN Communications Services, Inc.

3622 - ICA between Verizon RI and North Atlantic Networks, LLC

After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve the ICAs. The motion was seconded by Commissioner Holbrook and unanimously passed. Vote 3-0.

3627 - Verizon RI: Verizon submitted a tariff filing to introduce "Verizon Bundle Discount Programs" to "RI Regional Package" offerings for effect August 21, 2004. After review, the Commission followed the Division's recommendation that the tariff filing be allowed to go into effect without suspension.

3578 - City of Newport Water Division: Mr. Nault summarized that in compliance with Commission's directive, he met with Newport and Division staff to develop a format that Newport Water will use for its monthly and quarterly reporting requirements and he recommended approval. After review, Commissioner Racine approved the reporting format provided by Mr. Nault. The motion was seconded by Commissioner Holbrook and unanimously passed. Vote 3-0.

3569 - Rules Governing the Acceptance of Credit Cards by Utilities: After review, Commissioner Racine found Narragansett Electric's compliance tariff identified as Optional Telephone or Web Page Payment Provision to be in compliance with the Commission's Rules Governing the Acceptance of Credit Cards and moved to approve the tariff. The motion was seconded by Commissioner Holbrook and unanimously passed. Vote 3-0.

3610 – Narragansett Electric Co.: Revenue Neutral Allocated Cost of Service Filing -

3616 – Narragansett Electric Co.: Request for Recovery of Deferred Expenses Filing -

3617 – Narragansett Electric Co.: Rate Plan Stipulation and Settlement Filing- Chairman Germani noted the Commission has concerns and requires more information on the Settlement. He supported a motion to grant Narragansett Electric's Expedited Joint Motion, and to stay the procedural Schedules in Dockets 3610 and 3616 in order to review the Settlement in Docket 3617. He moved to a grant an extension of 30 days with the condition that the parties address the issues and concerns raised at this open meeting and through discovery. Commissioner Holbrook seconded the Chairman's motion and highlighted the areas he was particularly concern with. He noted that he had the following concerns which were adequately addressed in data responses:

- Return on Equity (ROE) – need more information on the ROE**

benchmarks and the reasonableness of the Company's return on equity (ROE) given current economic conditions.

- The use of FASB 87 to determine income that will lead to earnings; other regulatory options and methods available to determine earnings.**
- The company's calculation of the shared earning over a 5-year period in the Third Amended Settlement approved in 2930; there was no provision that required the Company to pay interest the ratepayers on this.**

Commissioner Holbrook indicated he needed further review and understanding of the following:

- Cost of Service methodology used in Docket 3617**
- The validation of 2nd proof of savings required in the Third Settlement in 2930; lack of 2nd proof of savings under the settlement in 3617**
- Re-opener provisions illustrated in Settlement Exhibit 7**
- Earnings sharing over the 5-year period - payment above the allowed ROE and alternatives provided in the filing**
- Storm Fund Account - should it be capped or continue to grow?**
- Billing notice to customers about the distribution of the shared earnings in next 12-month period**
- Service Quality - review to insure proper incentives and penalty to maintain quality service**

Commissioner Racine concurred with the majority and moved to

grant the motion. The procedural schedules in Dockets 3610 and 3616 are stayed for 30 days, and the Commission will hold an evidentiary hearing on the Settlement in Docket 3617 on September 21, 2004 (instead of a technical session). Vote 3-0.

There being no further business, the open meeting adjourned at 2:35 P.M.